


**POLICE AND CRIME COMMISSIONER (PCC) FOR LINCOLNSHIRE
REQUEST FOR DECISION**

REF: 002 – 2016
DATE: 27 January 2016

SUBJECT		POLICE PRECEPT 2016/17
REPORT BY	CHIEF FINANCE OFFICER TO THE POLICE AND CRIME COMMISSIONER	
CONTACT OFFICER	Julie Flint, Chief Finance Officer 01522 947222	
EXECUTIVE SUMMARY AND PURPOSE OF REPORT		
<p>The Police and Social Responsibility Act 2011 [Schedule 5 s.2] requires the Police and Crime Commissioner (“the Commissioner”) to notify the Police and Crime Panel of the Precept and Council Tax Requirement which he is proposing to issue for 2016-17.</p> <p>The report attached at Appendix 1 presents the proposed Precept and Council Tax Requirement 2016-17 for consideration by the Commissioner.</p>		
RECOMMENDATION	<i>That the draft report at Appendix 1 be agreed.</i>	

POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE	
I hereby approve the recommendation above, having considered the content of this report.	
Signature: 	Date: 27/01/16

A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE PCC

1. PROPOSED PRECEPT AND COUNCIL TAX REQUIREMENT 2015-16

Statutory Requirements

- 1.1 Schedule 5 of the Police Reform and Social Responsibility Act 2011 sets out the process for issuing a Precept, including the Police and Crime Panel’s role in reviewing the proposed Precept, their power to veto the Precept and the steps to be taken in the event of the proposed Precept being vetoed.
- 1.2 Attached at Appendix 2 is a detailed guidance note issued by the Home Office which supports the process described above, and includes reporting requirements together with the process for Police and Crime Panel scrutiny of the proposed Precept.

Summary of Precept and Council Tax Requirements

- 1.3 A detailed summary of the Commissioner's proposed Precept and Council Tax Requirement for 2016-17 is set out in the report attached at Appendix 1. The government has set the threshold for council tax increases above which a local referendum would be triggered at 2%. The Commissioner is committed to maintaining police officer numbers and is therefore proposing an increase in the police precept of 1.96% for 2016/17.
- 1.4 The Police and Crime Commissioner's share of council tax is shown in the table below. This illustrates the impact of a 1.96% increase. The additional cost to the majority of Lincolnshire council tax payers would be less than 7 pence per week.

Council Tax Band	2015/16 £	Increase £ per annum	2016/17 £	Increase Pence per week
A	131.76	2.58	134.34	5
B	153.72	3.01	156.73	6
C	175.68	3.44	179.12	7
D	197.64	3.87	201.51	7
E	241.56	4.73	246.29	9
F	285.48	5.59	291.07	11
G	329.40	6.45	335.85	12
H	395.28	7.74	403.02	15

B. FINANCIAL CONSIDERATIONS

These are detailed in the report enclosed at Appendix 1.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

These are set out in the main body of the report.

D. PERSONNEL AND EQUALITIES ISSUES

There are no direct personnel and equalities implications arising from consideration of this report.

E. REVIEW ARRANGEMENTS

The position will need to be reviewed following the government's announcement of its council tax capping criteria.

F. RISK MANAGEMENT

The risk of a shortfall in funding resulting in severe financial difficulties is highlighted in both the Police and Crime Commissioner and Force Risk Registers.

G. PUBLIC ACCESS TO INFORMATION

Information in this form along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC's website within one working day of approval. However, if release by that date would compromise the implementation of the decision being approved, publication may be deferred. An explanation for any deferment must be provided below, together with a date for publication.

Is the publication of this form to be deferred? No

If Yes, for what reason:

Until what date:

Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate part 2 form.

Is there a part 2 form? No

If Yes, for what reason:

ORIGINATING OFFICER DECLARATION

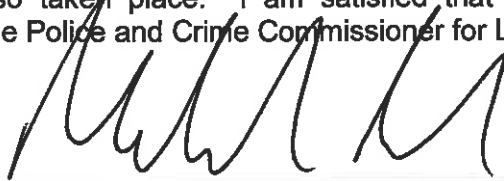
	Initial to confirm
Originating Officer: The Chief Finance Officer recommends this proposal for the reasons outlined above.	<i>JCF</i>
Financial advice: The CC's Chief Finance Officer has been consulted on this proposal.	<i>AL</i>
Monitoring Officer: The PCC's Monitoring Officer has been consulted on this proposal	<i>UX</i>
Deputy Chief Constable: The Deputy Chief Constable has been consulted on this proposal	<i>HR</i>

OFFICER APPROVAL

Chief Executive

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. Consultation outlined above has also taken place. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lincolnshire.

Signature:



Date: 27/1/2016

The Police and Crime Commissioner for Lincolnshire

Deepdale Lane, Nettleham, Lincoln. LN2 2LT
Telephone (01522) 947192 Fax (01522) 558739

Alan Hardwick
The Police and Crime Commissioner for Lincolnshire

REPORT TO THE POLICE & CRIME PANEL POLICE PRECEPT 2016/17

1. Introduction

1.1 My proposals for the Police Precept 2016/17 reflect the priorities set in my *Police and Crime Plan for Lincolnshire 2013 – 2017*:

- reducing crime;
- a fair deal for the people of Lincolnshire; and
- police and services that are there when you need them.

1.2 The opportunity for the people of Lincolnshire to respond to my budget consultation concluded on 15 January 2016. I received 1,766 submissions which are summarised in Appendix A attached together with my response. These valuable and considered views are also reflected in my proposals.

2. Government Grant

- 2.1 The Home Office's provisional grant announcement on 17 December 2015 confirmed the announcement by the Chancellor in November that overall Home Office spending on police would be protected in real terms as long as precept income is maximised. Although overall spending is protected, for Police and Crime Commissioners (PCCs), the settlement indicates a flat rate 0.6% reduction in cash terms for all police areas (in Lincolnshire £337k). The settlement includes the effect of an assumed precept increase of 2% across all areas resulting in a £196 million (1.7%) increase in the resources available overall to PCCs.
- 2.2 Force areas across the country will experience different levels of increase in their total resource funding¹; in Lincolnshire the increase indicated by the government is 0.7%.
- 2.3 Future years beyond 2016/17 are specifically excluded from the announcement, but for the purposes of my medium term financial plan (MTFP) I have assumed that Police Grant will fall by 0.7% each year.
- 2.4 The government has acknowledged that the current funding formula used to distribute government grant is not fit for purpose and it has committed to introducing a revised methodology. In exemplifying its proposals, the Home Office indicated that Lincolnshire would have received an additional £8m of government grant each year if the proposed methodology were in place. It is disappointing that, because of an error

¹ This includes all formula grant, legacy council tax grants and police precept.

in the Home Office's calculations, the introduction of the new methodology has been paused. In the meantime, I have assumed that by the end of the current planning period, Lincolnshire's share of government grant will increase by £6m per annum.

- 2.5 The provisional grant announcement for 2016/17 is subject to consultation and I have written to the Home secretary expressing my views (Appendix B). The provisional settlement will be debated by Parliament during February 2016 following which the final grant allocations will be confirmed.
- 2.6 Further detailed information on government grant is included within Appendix C attached.

3. Council Tax

- 3.1 Provisional details of the council tax base have been received from Lincolnshire district councils. These show a 2.3% increase in the tax base in 2016/17. There is also a surplus on council tax collection funds: the Police and Crime Commissioner's share of this surplus is currently forecast to be £0.5m.
- 3.2 The government has not announced a Council Tax Freeze Scheme in 2016/17.
- 3.3 The government has set the threshold for council tax increases above which a local referendum would be triggered at 2%. I do not wish to trigger a costly local referendum and I am proposing an increase in the police precept of 1.96% for 2016/17. Nevertheless, I will be unable to bridge the funding gap for 2016/17 without the use of reserves.
- 3.4 My MTFP is based upon annual council tax increases of 2% per annum, in line with the government's own assumptions

4. Total Income

- 4.1 Total income is projected over the next four years as shown in Table 1 below. There is an assumption that the council tax base will increase by 1% per annum, an increase from that previously assumed of 0.5% in accordance with the Government's house building projections.
- 4.2 The budget proposals described in the remainder of this report assume a 1.96% council tax increase for 2016/17 and a 2% increase for each of the subsequent 3 years of the MTFP.
- 4.3 Lincolnshire County Council has indicated a £0.830m reduction in its annual contribution for PCSOs; the annual contribution is assumed to continue at £0.370m over the period of the MTFP.
- 4.4 I have submitted an application to the Home Office for Police Innovation Fund Grant to assist with the remodelling of the Lincolnshire Policing Model in order to meet the changing requirements of policing in terms of protecting the most vulnerable and meeting the challenge of hi-tech crime. If this bid is successful, this will reduce the demand from reserves to £1.8m in the year.
- 4.5 I have modelled the potential impact of a revised Funding Formula within my MTFP, making a prudent assumption around the share of total funding that may be allocated to Lincolnshire. Exemplifications from the Home Office showed that Lincolnshire would be allocated additional grant funding of £8m per annum under the proposed new

methodology. In order to be prudent, I have assumed that the final outcome may not be as beneficial as has been indicated thus far. Accordingly, my MTFP is based upon and increase in government grant of £6m per annum by the end of the planning period, and that transitional arrangements would result in an increase of £3m in 2017/18 and £4.5m in 2018/19.

- 4.6 Beyond 2016/17, my MTFP assumes further use of reserves of £0.3m across the 3 years.
- 4.7 To achieve financial balance beyond 2016/17, it is clear that, without a more equitable slice of the national police grant, or substantial precept rises in future years, Lincolnshire would see significant degradation of service from 2017 onwards. That would undoubtedly take the form of fewer Police Officers, Police Community Support Officers (PCSOs), and the staff who support them. The Chief Constable and I have been taking this message to the heart of Government over recent months and they are listening.

	2015/16	2016/17	2017/18	2018/19	2019/20
Income	£m	£m	£m	£m	£m
Police Grant	59.065	58.728	58.328	57.928	57.528
Victims' Services Grant	0.802	0.772	0.772	0.772	0.772
Council Tax Compensation Grant	1.058	1.058	1.058	1.058	1.058
Council Tax Support Grant	5.775	5.775	5.775	5.775	5.775
LCC PCSO funding	1.200	0.370	0.370	0.370	0.370
Council tax	43.180	44.724	45.616	47.017	48.461
Police Innovation Fund		1.600	1.550		
Funding Formula Review	-	-	3.000	4.500	6.000
Total income	111.080	113.027	116.469	117.420	119.964
Use of Reserves	-	1.790	0.002	0.789	(0.503)
Total income & Reserves	111.080	114.817	116.471	118.209	119.461

Table 1

5. Expenditure Plans

- 5.1 Total spending in 2016/17 has increased in the face of significant external cost pressures.
- 5.2 The budget is summarised in Table 2 and described below.

Expenditure	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
PCC direct expenditure	27.565	27.611	28.209	29.336	29.906
Joint services	1.406	1.521	1.554	1.561	1.566
Chief Constable	82.109	86.387	86.708	87.312	87.989
Total	111.080	114.817	116.471	118.209	119.461

Table 2

- 5.3 My budget proposals include provision for victims' services expenditure in line with estimated grant of £0.7m. Provision for crime and disorder reduction grants is set at £0.8m. The budget also includes provision for strategic partnership contract payments of £22.4m and capital financing charges of £2.3m.
- 5.4 The Chief Constable's budget includes £57.0m for police officer salaries and £4.7m for PCSO salaries. As with 2016/17, the budgets for the period to 2019/20 are based on retaining 1,100 police officers and 149 PCSOs.
- 5.5 Cost pressures add £4.1m or 3.8% to the total budget in 2016/17. The main pressures being £1.8m for the removal of the National Insurance "contracting out" rebate; £0.7m for pay awards for police officers and other staff together with increased ICT & contract costs, including from the Home Office. Savings achieved since 2010 amount to £22.6m per annum.
- 5.6 Further detailed information on revenue and capital expenditure plans, savings options, risks and reserves is attached at Appendix B.

6. Council Tax

- 6.1 The Police and Crime Commissioner's share of council tax is shown in the table below. This illustrates the impact of a 1.96% increase. The additional cost to the majority of Lincolnshire council tax payers would be less than 7 pence per week.

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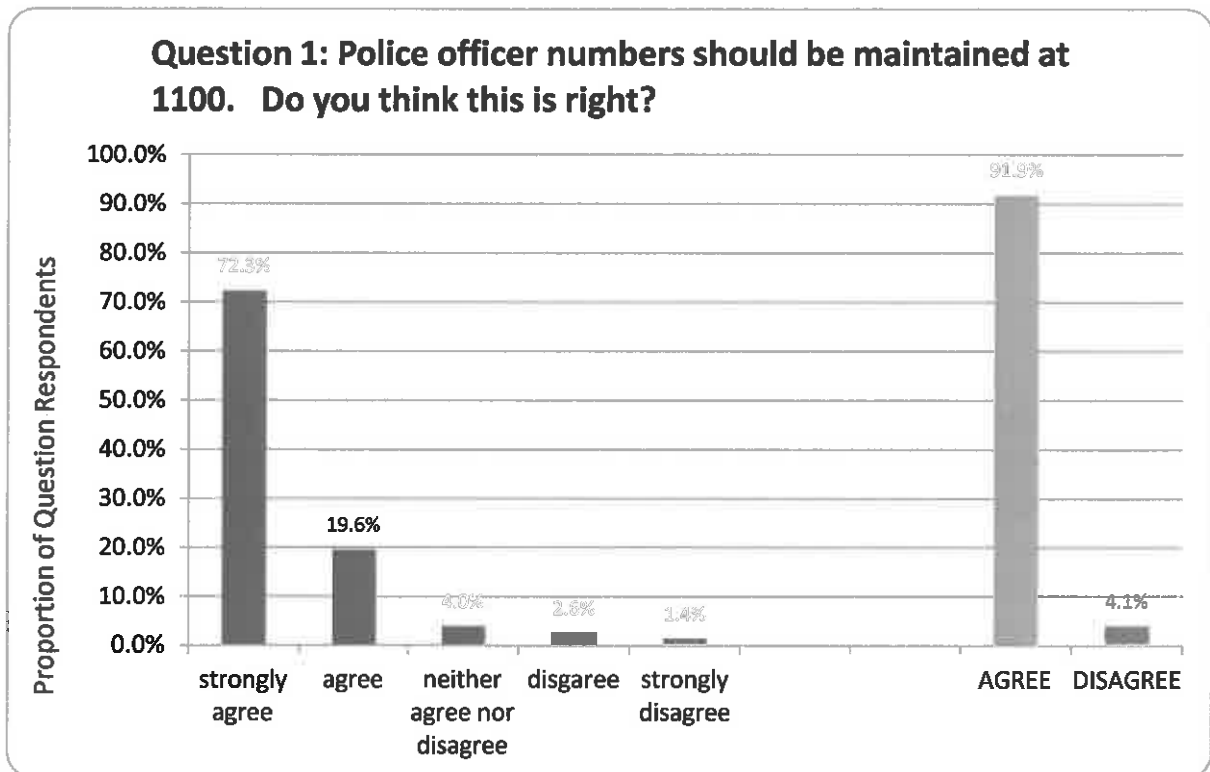
Table 3

Alan Hardwick
The Police and Crime Commissioner for Lincolnshire
27 January 2016

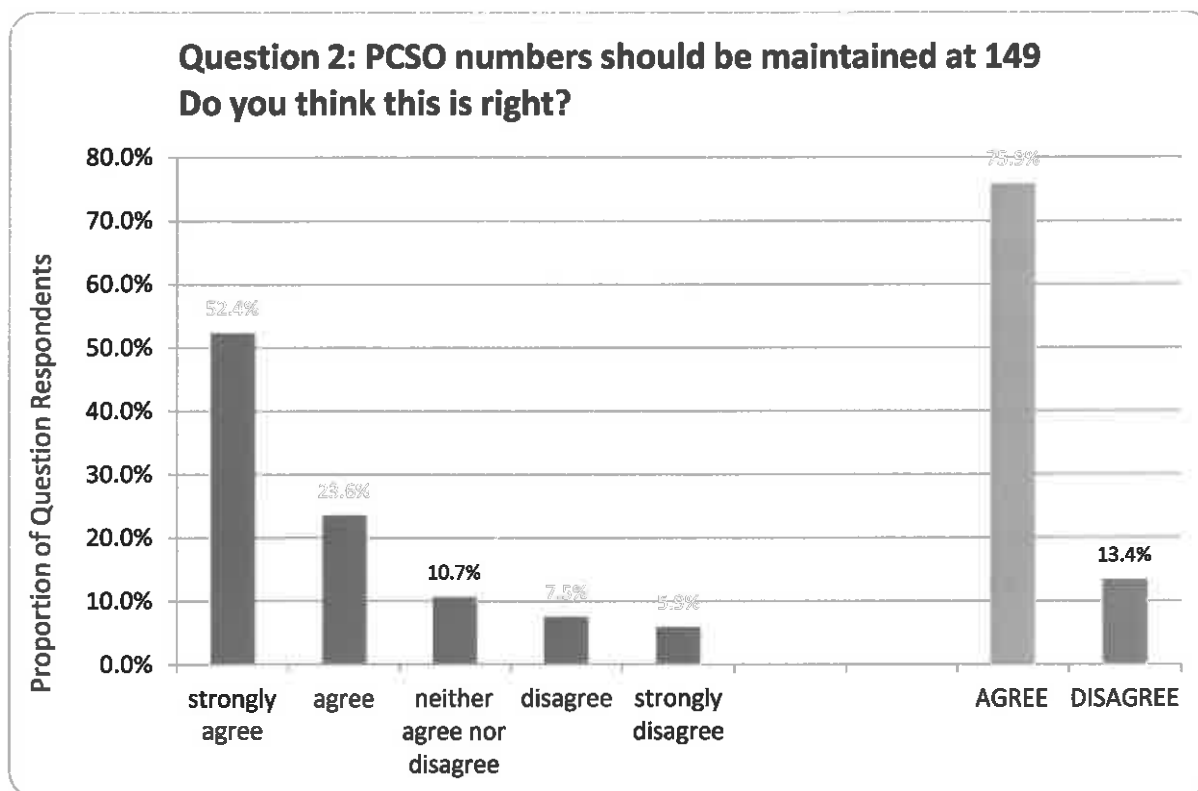
The Police and Crime Commissioner for Lincolnshire

Budget Consultation 2016/17

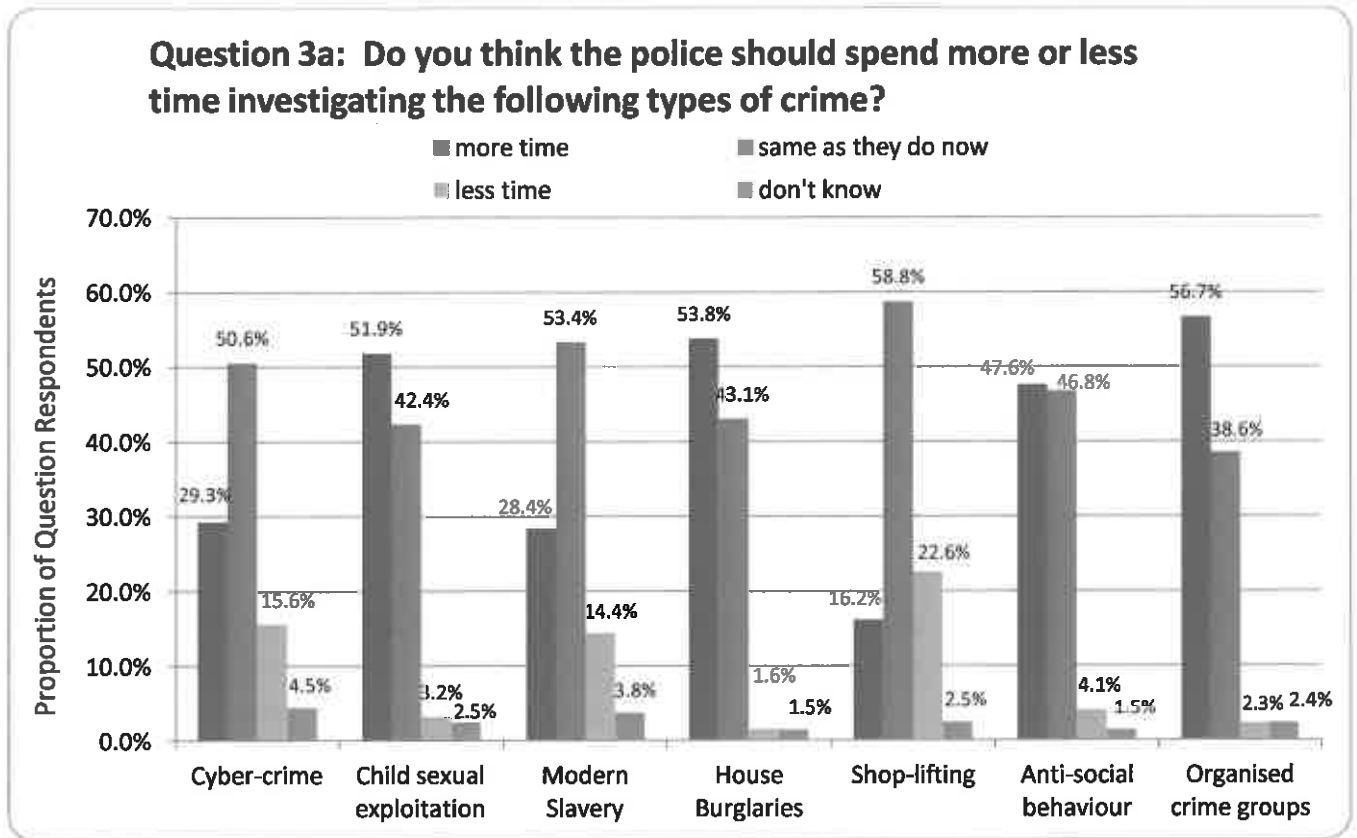
During December and January I conducted a consultation to inform development of my budget proposals for 2016-17. 1,766 responses were received. Thank you. Your views, and my responses to them, are below.



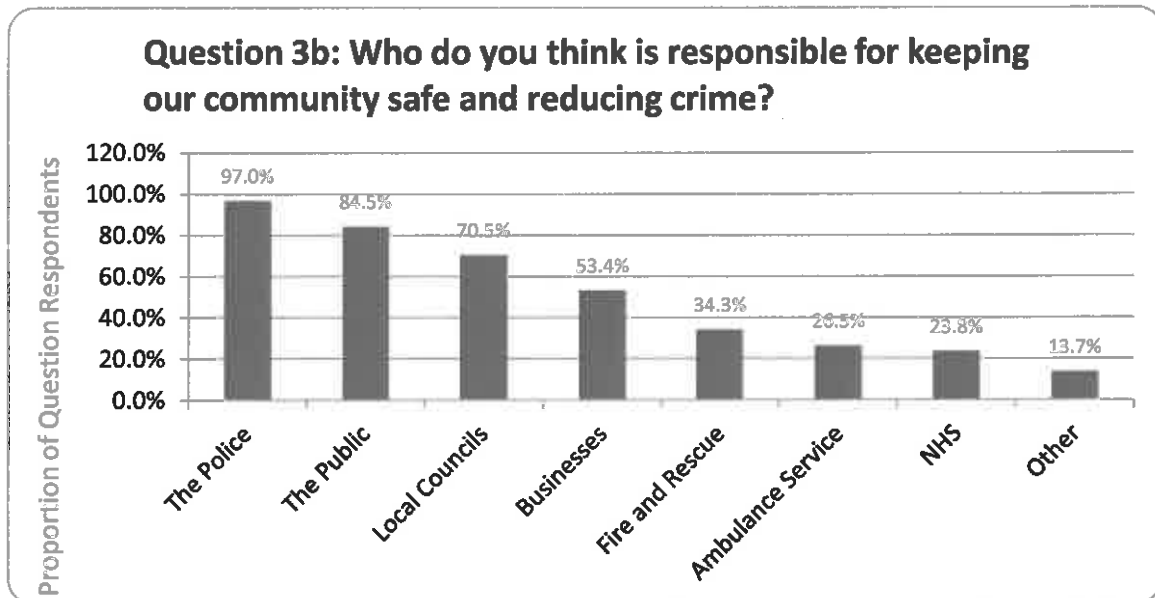
Over 90% of you said it is right to maintain police officer numbers at their current levels. When I took office, the former Police Authority had plans in place to reduce police officer numbers. I halted those plans and committed to providing the Chief Constable with sufficient funds for 1100 officers. I will do the same in 2016-17.



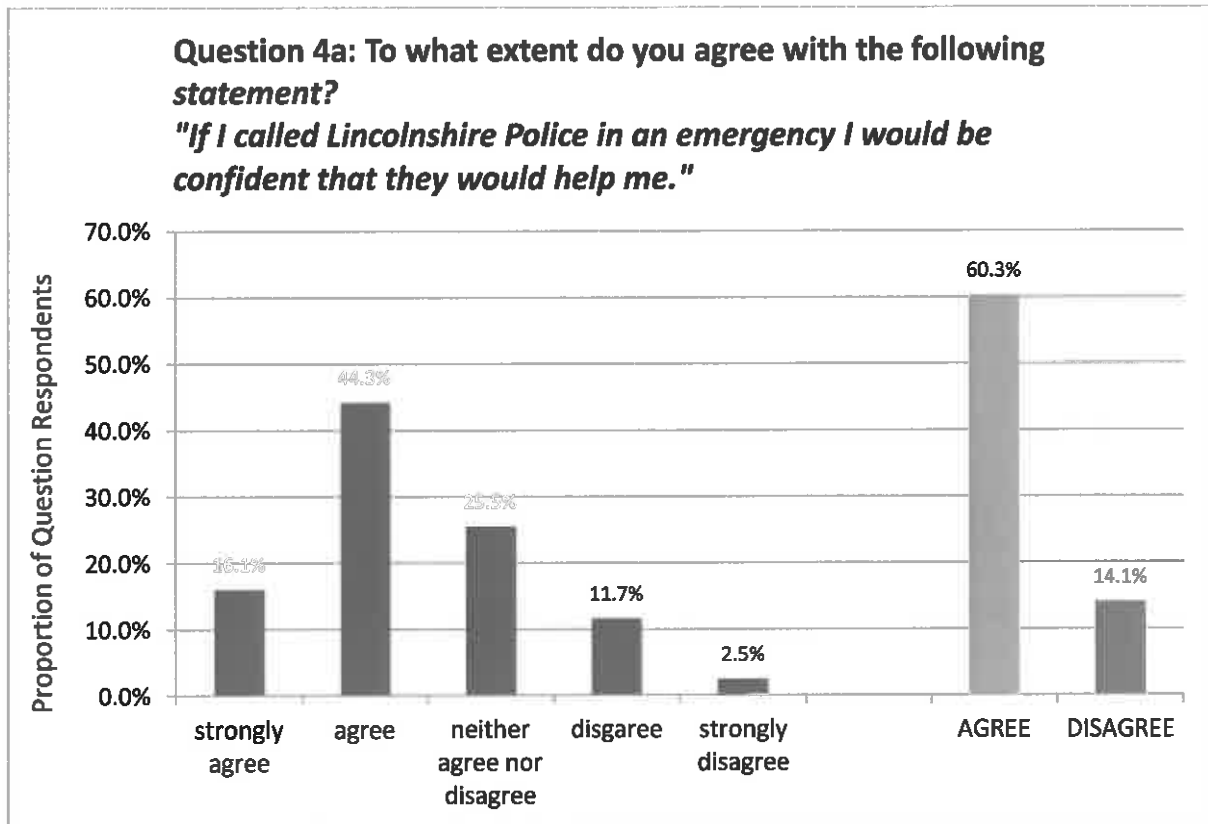
The responses I received to the consultation show how much our PCSOs are valued in our communities. I believe they are an intrinsic part of neighbourhood policing. The Chief Constable shares that view and has given them more powers. For many years I have received a funding contribution from the County Council towards the costs of PCSOs. This reduced last year and may do so again. PCSOs provide a vital, visible policing presence in our communities. Despite the funding challenges I intend to provide the Chief Constable with a budget that will allow him to employ 149 PCSOs.



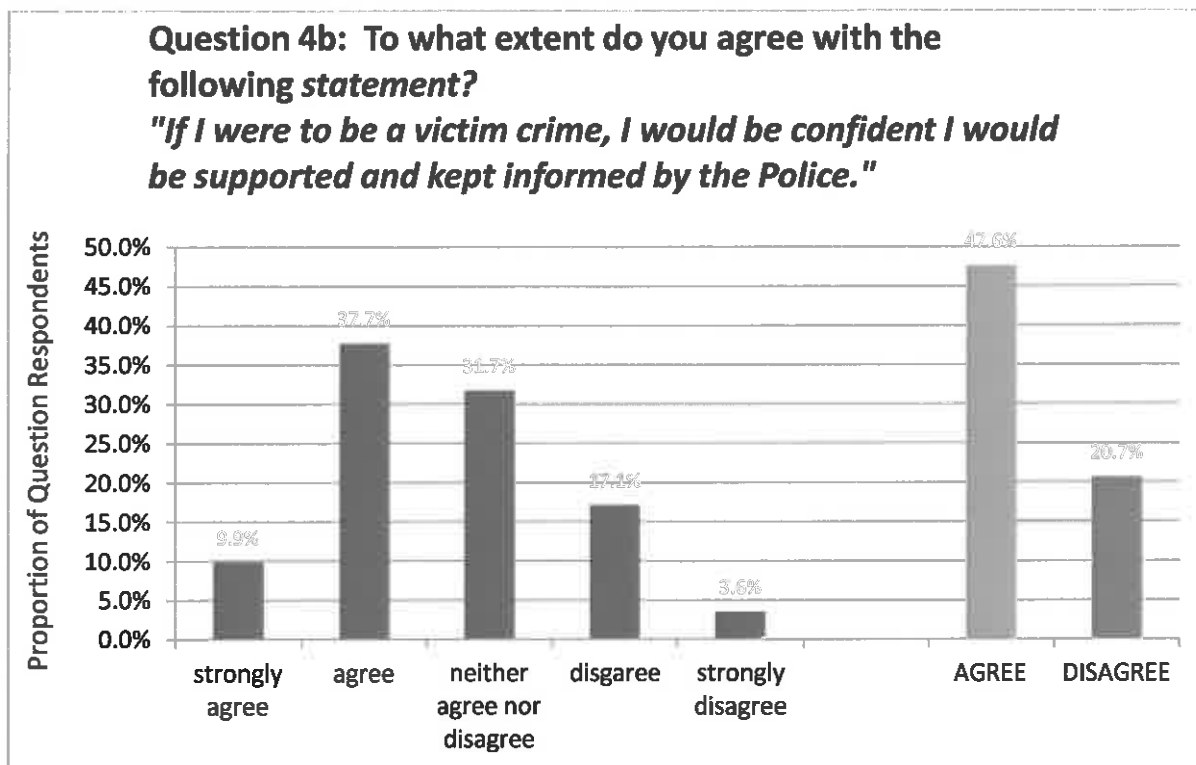
As I set out in my quarterly update to the Police and Crime Panel, Lincolnshire Police is already acting to devote more resource to child exploitation and the latest crime data shows a continuing downward trend in house burglaries. Organised crime, whilst not always visible to many of us, is a key priority for both Lincolnshire Police and our partners. At a County level, the Community Safety Partnership has formed a Serious and Organised Crime Strategic Management Board to tackle threats in this area. Also, given the cross border nature of these Groups, we work in partnership with regional colleagues through the East Midlands Collaboration arrangements to optimise our response to this type of criminality. I'm therefore pleased to see that we are already devoting more resource to those areas which you think are important.



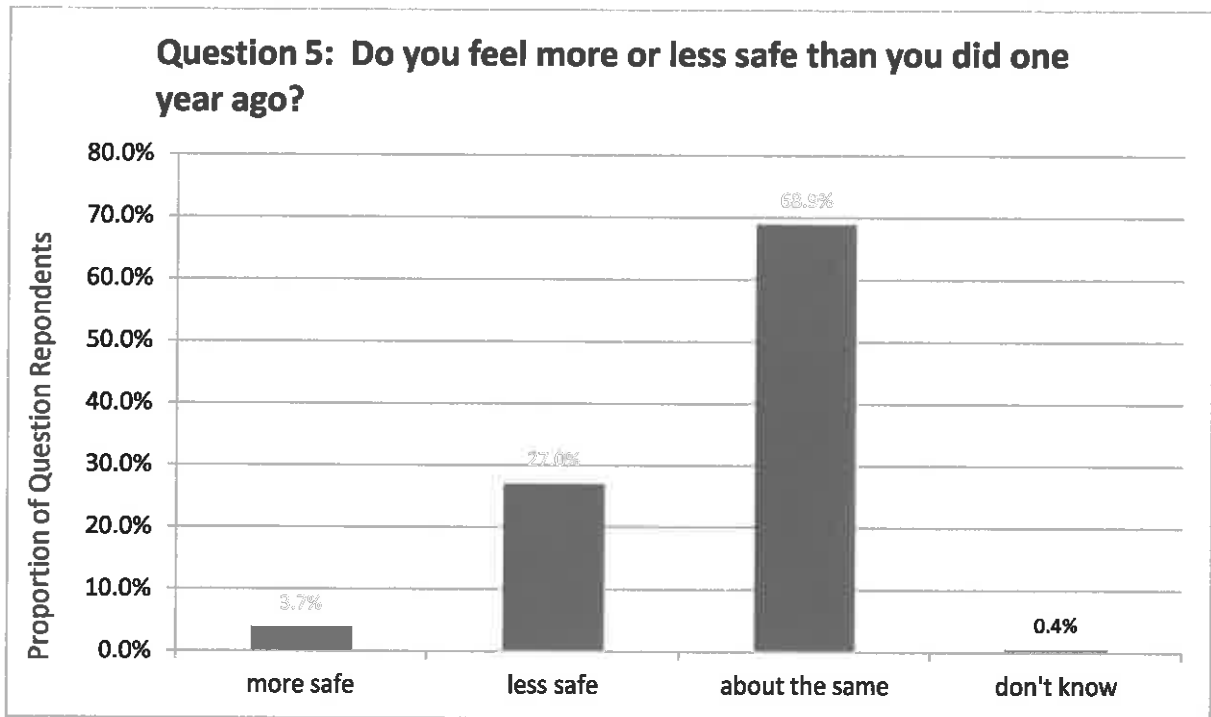
Community Safety and crime reduction are shared responsibilities for all of us in a society. Whilst the police have a vital role to play, so do other public services, business and individuals. Throughout my time in office I have supported vital community initiatives like Lincolnshire Neighbourhood Watch and joint activity with local councils and the business community. This shared approach is a significant contributor to Lincolnshire remaining a safe county. Despite the particular challenges austerity has brought to public services, it would be a mistake for any of us to scale back on delivering on our community safety obligations.



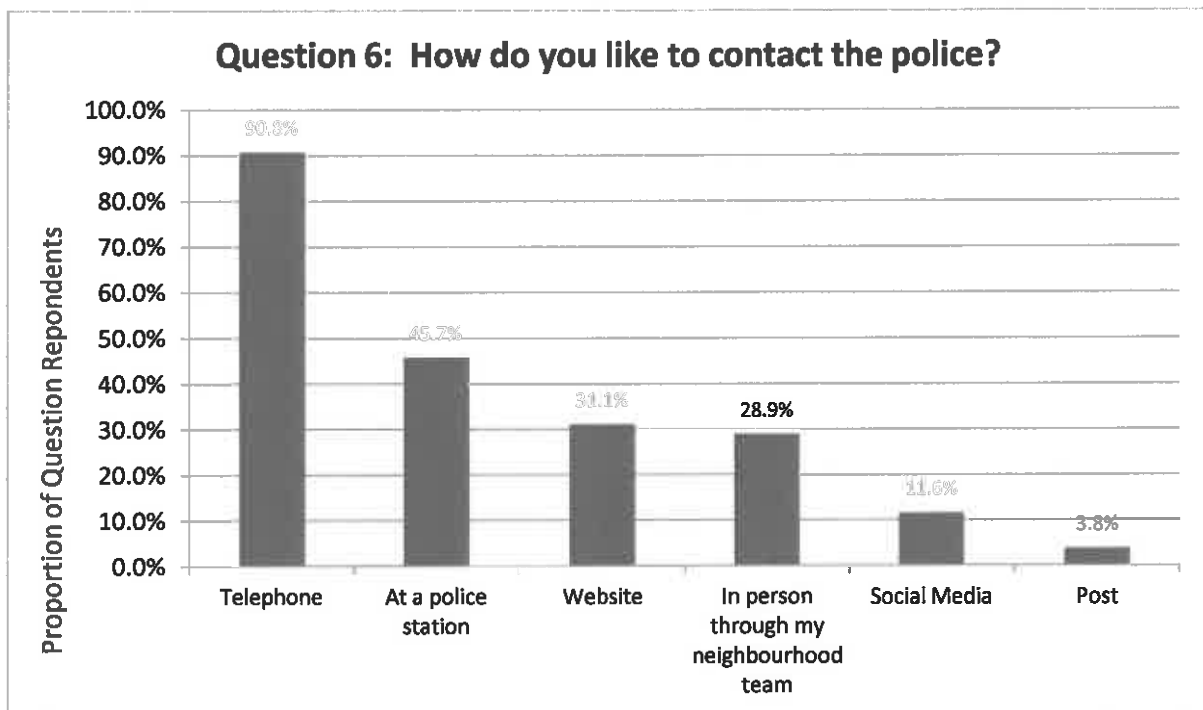
The majority of you are confident that if you called Lincolnshire Police in an emergency, they would help you. I have invested significantly in both our Contact Centre and mobile technology for officers to ensure the police are there when you need them. But we can always do more and I know Lincolnshire Police are committed to continue to work to improve the confidence our communities have in them.



Over the last year I have invested over £1m in new services for victims of crime from specialist services for the victims of sexual offences through to support services for victims of any crime type, whether they have reported that crime to the police or not. In the last three months of 2015 our "Victim Lincs" team made contact with almost 7,000 victims to offer support, advice and updates on the status of their crime. I also continue to care passionately about the role restorative justice can play in a victim's recovery. The majority of victims who engage in the process find it a positive experience and would recommend it to other victims of crime. I will continue to commission services in this area in the coming year.



Overall, crime has continued to fall in Lincolnshire, but I am concerned that a proportion of you feel less safe than you did a year ago. All Community Safety Partners need to do more to understand why that is so we can direct our resources to those who need us most.



As one might expect, most of you prefer to contact the police by phone. We have invested significantly in our Control Room operation in recent years and its performance is always high on my list of priorities when meeting with the Chief Constable and his senior officers. I also recognise many of you want other options for contacting us. Unlike many Commissioners, I made a commitment throughout my term not to close any police station where there was an operational and community need. I am also investing in the development of a new website for Lincolnshire Police which will provide more web-based services to those who want to do business with us in that way. Make no mistake, the web will never replace the telephone or the ability to talk to an officer face to face, but in areas like tracking the progress of a crime or reporting low-level crimes, it may offer another quick and effective means of contacting the police. I know from your comments that many of you also value our LincsAlert Community Messaging System and the ability to meet members of your local policing team.

Question 7

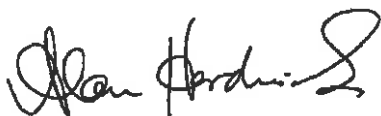
I have always been keen to hear people's views on any policing or crime related subject and so it is just as important to me at this time of year to invite you to comment on subjects beyond the specific questions I have asked. Unsurprisingly, many of you mentioned police officer visibility. I have always made a clear commitment to not cut the police officer budget, not to close police stations where they are needed and to ensure neighbourhood policing remains the bedrock of

Lincolnshire Police. If Government remains true to their word and delivers a fairer deal for Lincolnshire in the 2017-18 funding settlement, Lincolnshire will be able to sustain a local and visible police presence in the years to come. Many of you commented on the funding situation and I am grateful for the support you have given me and the Chief Constable in successfully putting our case to Government.

Whilst anti-social behaviour (ASB) has continued to decline, a number of you talked about alcohol related ASB being an issue about which more could be done, particularly by licensed premises and retailers. Recently I have worked with the County Council and Chamber of Commerce to re-invigorate the Pubwatch Scheme and Lincolnshire Police continues to focus on both an educational and enforcement approach in the night time economy. But I would urge licensing authorities do more to ensure the terms of licenses are being adhered to and to take action where they are not.

For those of you who live in rural communities, hare coursing remains a concern. I have been very clear with the Chief Constable about the importance of policing this crime that often masks others forms of criminality. You will have read in my performance report that our dedicated hare coursing operation "Operation Galileo", continues and with greater success than in previous years, with vehicles being seized and other enforcement action being pursued through the courts. As our lead officer for rural crime says, "Lincolnshire is closed to hare coursers."

Thank you again to the hundreds of you who took the time to respond to this year's budget consultation. Your views have always been and continue to be important to me. They shape my decision making and really do influence how Lincolnshire Police do their work. So please, if you have something to say, get in touch.



Alan Hardwick
The Police and Crime Commissioner for Lincolnshire

You can contact me in a number of ways:

Online: www.lincolnshire-pcc.gov.uk

Social media: @AlanHardwickPCC

By email: Lincolnshire-pcc@lincs.pnn.police.uk

By phone: 01522 947192

By fax: 01522 558739

By post:

Office of the Police and Crime Commissioner for Lincolnshire

Lincolnshire Police Headquarters, Deepdale Lane, Nettleham, Lincoln LN2 2LT

The Police and Crime Commissioner for Lincolnshire

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Alan Hardwick
The Police and Crime Commissioner for Lincolnshire

Date: 21st January 2016
Our Reference: AH/hh/2016/HO-2015-051

Rt Hon Theresa May MP
 Secretary of State for the Home Department
 Home Office
 2 Marsham Street
 LONDON
 SW1P 4DF

By email: Lutfur.Rahman@homeoffice.gsi.gov.uk
policeresourcespolicy@homeoffice.gsi.gov.uk

Dear Home Secretary,

PROVISIONAL POLICE GRANT REPORT 2016/17

Thank you for your letter of 17 December 2015 in which you invite comment on the provisional Police Grant Report 2016/17 setting out force-level allocations of central government funding.

I congratulate you on the settlement that you have secured for the police. Given the current public expenditure constraints, the protection of police funding in real terms over the spending review period provides a clear indication that the government shares with me the intent to sustain an effective and efficient police service into the future.

Real terms protection will only be secured, of course, by the imposition of a further burden on local council taxpayers. In Lincolnshire, local taxpayers already pay a greater proportion of the costs of policing than most others in the country but your proposals require me to increase that burden still further in order to maintain services in Lincolnshire. Informed by the views of local people, I will be giving very careful consideration to my council tax proposals as I develop my budget for 2016/17.

I agree with you that the settlement must not be a reprieve from reform. The further efficiencies from improved and better use of IT, from greater collaboration between forces and other public services and from improving workforce productivity will need to be delivered by the police service as a whole.

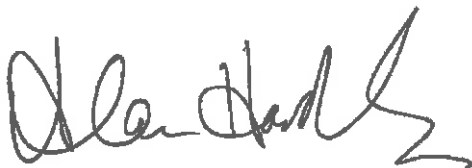
As you know, in Lincolnshire we have been at the forefront of reform to ensure that we operate efficiently to provide the best possible policing services at the least possible cost.

Our private sector partnership, together with extensive collaboration within the East Midlands, have both ensured that we have not only delivered all of the savings required during the last parliament, but also delivered better and more cost effective services for our communities. Lincolnshire remains one of the lowest cost Forces per head of population in England and Wales, yet we continue to deliver performance that is as good as and, in many cases, better than Forces that are enjoy higher levels of funding. There remains much that the service could learn from us.

Your funding formula proposals indicated a shift of resources away from forces with a high cost per head of population towards those, like Lincolnshire, that are more efficient. This has to be the best way of incentivising the service as a whole to deliver the efficiencies that the public rightly expects. Whilst continuing to seek new and innovative ways of improving our efficiency, beyond 2016/17 our ability to maintain policing services will depend upon the delivery of your proposals for a revised funding formula. Your officials have acknowledged that Lincolnshire is underfunded under the old formula and Ministers have said that Lincolnshire has been treated unfairly in the past. My expectation is that this will be addressed when the new funding formula is introduced from 2017. I would therefore urge you to publish without delay the timetable for finalising the new funding arrangements.

As always, Lincolnshire stands ready to work with you and your officials on further refinement of your proposals over the coming months.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan Hardwick', with a stylized flourish at the end.

Alan Hardwick
The Police and Crime Commissioner for Lincolnshire

POLICE AND CRIME PANEL BUDGET REPORT**SUPPLEMENTARY INFORMATION****1. Provisional Settlement Announcement**

- 1.1 The Provisional Police Grant report (England and Wales) 2016/17 and House of Commons written statement on the Police Provisional Funding Announcement were laid in Parliament on 17th December 2015.
- 1.2 The police settlement covers just one year. In his written statement the Minister confirmed the announcement by the Chancellor in November that overall Home Office spending on police would be protected in real terms as long as precept income is maximised. Although overall spending is protected, for Police and Crime Commissioners (PCCs), the settlement indicates a flat rate 0.6% reduction in cash terms for all police areas (in Lincolnshire £337k). The settlement includes the effect of an assumed precept increase of 2% across all areas resulting in a £196 million (1.7%) increase in the resources available overall to PCCs.
- 1.3 Force areas across the Country will experience different levels of increase in their total resource funding¹. These range from 0% in Merseyside to 2.5% in Sussex; in Lincolnshire the increase is 0.7%.
- 1.4 As in previous years, the existing funding arrangements will continue in 2016/17. The Government consulted on a new basis for the allocation of funding to Forces during 2015. Whilst the basis for the new method of allocation received general acceptance, an error in the exemplification of the new regime resulted in the process being paused until 2016/17.
- 1.5 As a result, each Force area will broadly face a similar reduction in government grant in 2016/17. This is regardless of their current resource position, how efficient they are and the extent of the action already taken to reduce their cost base.
- 1.6 The written statement refers to a number of top-slices from the Police Main Grant where the Minister considers there is a national policing interest. These include:
 - Increasing funding for counter-terrorism policing to £640m. Allocations of counter-terrorism funding are expected to be received in February.
 - Emergency Services Network (ESN) - £80m will be reallocated for ESN which will give all officers priority access to 4G mobile broadband data on a single network.
 - Major Programmes - this year £21.8m is provided from the police settlement to support the continuing development of Home Office Biometrics that will develop a new national platform including that of the current Police National Computer, Police National Database and Automatic Number Plate Recognition systems.
 - Independent Police Complaints Commission (IPCC) - the settlement provides £32m from the police settlement to allow the IPCC to expand and focus on investigating the most serious and sensitive cases.

- College of Policing - £4.6m will be given to the College of Policing to deliver direct entry schemes
 - Police Special Grant - second year funding has been provided from the police settlement for the discretionary Police Special Grant contingency fund (£25m), which supports police force areas facing significant and exceptional events which might otherwise place them at financial risk.
 - £55m to the Police Innovation Fund for 2016/17
 - Police Transformation Fund - allocating £38m New Transformation Funding to incentivise and facilitate transformation in policing to invest in cross-force specialist capabilities. Further details will be provided after the settlement.
 - £34m to enable a national uplift in armed policing capability and capacity to respond more quickly and effectively to a firearms attack. This will be distributed via the Counter Terrorism Policing Grant.
 - £4.6m for policing to begin the critical work of setting up a comprehensive, joined up programme of digital transformation.
- 1.7 At the time of writing, the Ministry of Justice had not announced the allocation of the Victim Services Grant to PCC's, the budget includes a projection for this grant and commensurate ring fenced spending.
- 1.8 The provisional settlement for police confirmed the intention of a 2% council tax referendum limit, other than the 10 lowest precepting PCCs who can raise their precept by £5 per year for a Band D property. Lincolnshire is not in that group.

2. Lincolnshire's Position

- 2.1 The Provisional Grant Settlement was as indicated in the Spending Review but as the level of top slicing was unclear represents a divergence from the forecast which had been included in the previous MTFP; total grant support is shown in the table below:

	2015/16 Actual £'000	2016/17 MTFP £'000	2016/17 Provisional Settlement £'000	Additional Grant £'000
Police Grant	59,065	56,675	58,728	2,053
Council tax compensation	1,058	1,058	1,058	-
Council tax support	5,775	5,775	5,775	-
	65,898	63,508	65,561	2,053

- 2.2 There is a reduction in grant of £337k to Lincolnshire for 2016/17 compared to 2015/16. It is important to note that, including 2016/17, grant reductions in Lincolnshire since 2010/11 (the start of the austerity period) now total 22%, equivalent to some £16m per annum.
- 2.3 Future years are specifically excluded from this announcement and it is unlikely that any further information will be received until after the Funding Formula review has

been restarted. The MTFP now includes provision for an ongoing 0.7% cash cut per annum in overall Police Grant.

3. Revenue Budget 2016/17

3.1 The Revenue Budget for 2016/17 has been prepared in accordance with the Budget Strategy adopted by the PCC. This includes a set of key assumptions:

- Police Officers Pay - the budget has been set to provide for an establishment of 1,100 officers.
- Police Staff Pay - the Budget has been set to provide for an establishment of 240 staff.
- PCSO Pay - the budget has been set to provide for an establishment of 149 PCSOs.
- The Strategic Partnership Budget has been set in accordance with the contract and estimated inflationary clauses.
- A review of those running costs relating to premises, vehicles HR & training costs has been undertaken. In discussion with budget managers challenging targets have been set. This will require managers to prioritise spend across the financial year.
- Other Operational Policing costs have been similarly reviewed and challenging targets set for the provision of equipment and accoutrements.
- Capital financing charges have been reviewed resulting in the identification of savings following the assessment of spend in the current year and the future capital programme proposals.
- Police Grant provisional announcement has been included.
- Council tax - in order to preserve future service levels and accord with the government's own assumptions, a 2% increase has been included. (See Council Tax Precept section of this report).

3.2 The following table summarises the proposed budget for 2016/17.

TABLE A Revenue Budget 2016/17

BUDGET	2015/16 BASE BUDGET £M	2016/17 BASE BUDGET £M
Income		
Government Grant	(66.7)	(67.9)
LCC PCSO Funding	(1.2)	(0.4)
Council Tax	(43.2)	(44.7)
Use of Reserves	-	(1.8)
	(111.1)	(114.8)
PCC Expenditure		
Strategic Partnership	22.2	22.4
Community Safety and Victims Services	1.6	1.6
Historic Pensions & Financing Costs	3.1	2.9
Other direct PCC budgets	0.7	0.7
	27.6	27.6
Chief Constable Expenditure		
Police officers	55.8	57.0
Police Staff	8.0	8.9
PCSOs	4.5	4.7
Operational Policing Costs	3.6	3.5
Premises, Vehicle, HR & ICT Running Costs	7.3	9.1
Regional collaboration	2.6	2.5
	81.8	85.7
Joint Services	1.7	1.5
Total	-	-

3.3 The proposed budget includes provision for cost pressures which are unavoidable totalling £4.1 million. The main areas provided for are

- Increased National Insurance Costs following removal of employers "Contracting Out" rebate £1.8 million.
- Pay Awards £0.7 million
- ICT Contractual costs and increased charges from the Home Office £1.0 million.
- Local Government Pension Scheme increased contribution to historic deficit £0.2 million
- Unavoidable running cost increases £0.4 million.

4. Medium Term Financial Plan (MTFP)

4.1 The Medium Term Financial Plan covers the period 2017/18 to 2019/20.

- 4.2 No indication has been given by the Government for future police grant allocations following its commitment to revisit the police funding formula. Government grant has therefore been assumed to be subject of a cash reduction of 0.7% across the period of the MTFP based on the spending review announcement.
- 4.3 Based upon Lincolnshire's current share of police grant, this results in a position where current service levels cannot be maintained. The following table shows the resulting budget gap for the medium term period:

TABLE B Budget Gap Based on current share of Police Grant

	2017/18	2018/19	2019/20
	£M	£M	£M
Projected Deficit	3.002	5.289	5.497

- 4.4 Lincolnshire has been innovative and has embraced change particularly in respect of partnership work with both the private sector and regional forces and has previously been graded 'Outstanding' by HMIC for the provision of affordable policing.
- 4.5 However, given the government's acknowledgement that the current funding formula is not fit for purpose, our medium term plan is based upon the government's stated intent in respect of the new resource allocation methodology. Exemplifications from the Home Office thus far consistently show that Lincolnshire would receive additional grant funding of £8m per annum under the proposed new methodology. Taking a prudent approach, we have assumed that the outcome may not be as quite as favourable and that some transitional arrangements would be used to implement the review. On this basis, the implementation of the Funding Formula Review would have the following impact:

TABLE C MTFP Deficit Position including Funding Formula Review

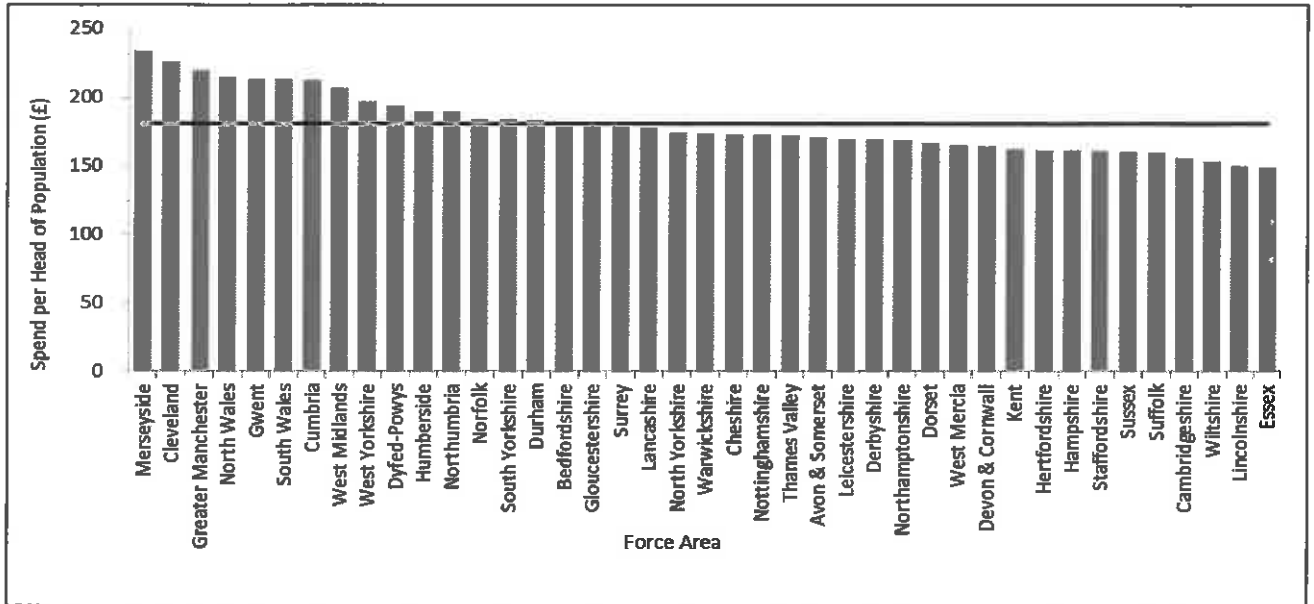
	2017/18	2018/19	2019/20
	£M	£M	£M
Projected Deficit	3.002	5.289	5.497
Funding Formula Review	(3.000)	(4.500)	(6.000)
Requirement from Reserves	2	789	(503)

- 4.6 This level of transitional reserve funding together with the £1.8 million required in 2016/17 is within the reserves earmarked for budget equalisation.

5. HMIC VFM Profile

- 5.1 The HMIC Value for Money Profile published in November 2015 contained the following headlines in respect of Lincolnshire Police:
- Lincolnshire has the second lowest the lowest policing costs per head of population in the Country significantly below the national average.

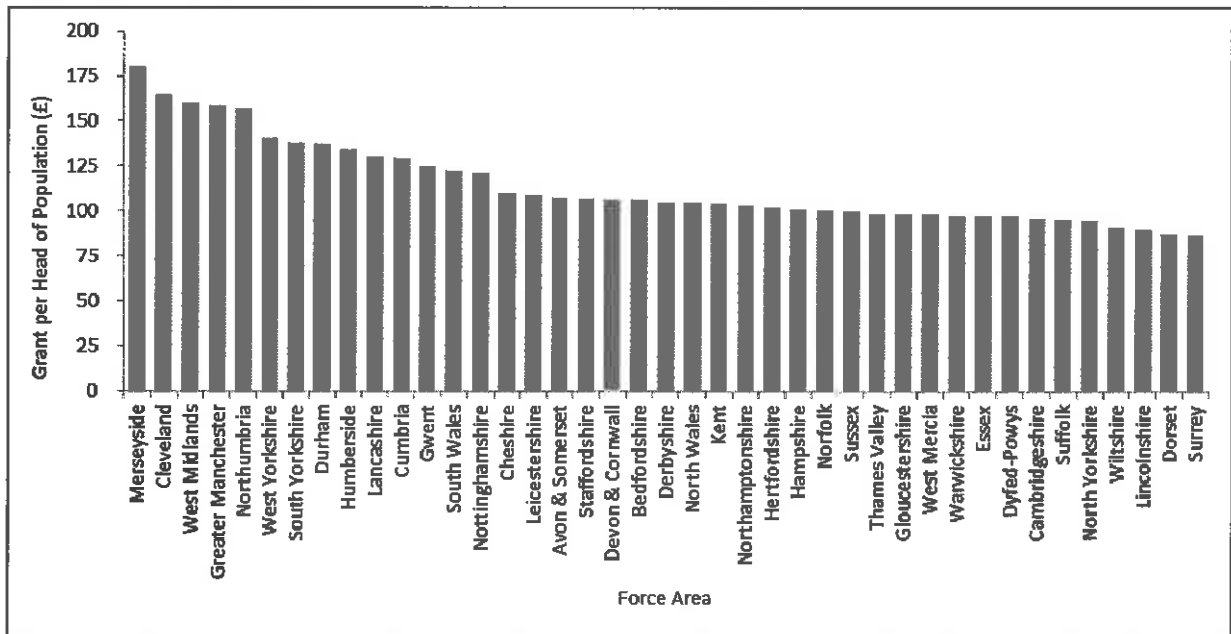
Figure 1: Spend per Head of Population (Estimated 2015/16)



Source: Estimated Net Revenue Expenditure 2015/16 (Gross revenue expenditure minus earned income) from POA (includes National Policing) and Office of National Statistics - Population estimates by force (mid-2014) ADR Note: excludes the City of London and Metropolitan Forces

- Lincolnshire receives one of the lowest levels of central funding per head of population

Figure 2: Formula Grant per Head of Population (Provisional Settlement 2016/17)

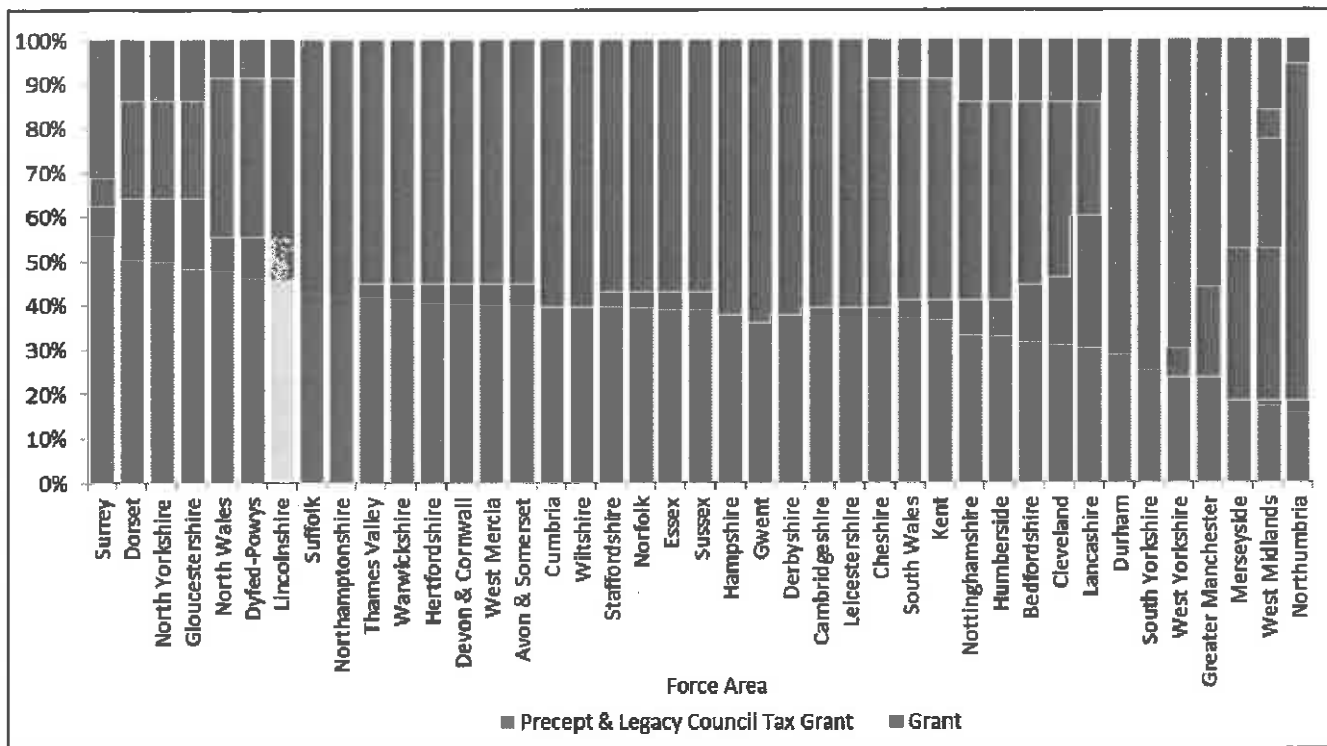


Source: Home Office Provisional Police Grant Report (England and Wales) 2016/17 and Office of National Statistics - Population estimates by force (mid-2014) ADR. Excludes the City of London and Metropolitan Forces. Welsh Forces receive additional Top Up Grants included above.

- Our local funding is one of the highest in the country, this is coupled with a below average yield per head of population from each £1 of tax levied. As Figure 3 demonstrates, the proportion of overall spend funded by the Police Precept varies from 56% for Surrey to 16% for Northumbria with an average of 37%. In comparison Lincolnshire would be 7th out of 41 Authorities at 46%, i.e. it is above

average in terms of the contribution that Council Tax Payers make to overall spending

Figure 3: Proportion of Grant and Precept & Legacy Council Tax Grant (Estimated 2015/16)



Source: POA estimates 2015/16. Grant % includes Formula and Police Grant against the Precept & Legacy Council Tax Grant. Excludes the City of London and Metropolitan Forces.

- Police Officer cost per head of population is the third lowest in the country. The number of police officers per 1000 population is the 2nd lowest.
 - PCSO Costs per head of population are £6.30 just below the national average of £7.00 and the most similar Group of Forces at £7.30.
- 5.2 The VFM Profile also examines the workload position of Forces and show that Lincolnshire officer workload is higher than the national average:
- The number of crimes per visible officer is 58.0 crimes, the 13th highest in the country. The National average is 52.6 crimes per visible officer and the most similar Group of Forces are at 46.0 crimes.

6. Risks

- 6.1 The comparative data evidences the impact of Lincolnshire’s significant efforts to balance its budgets across a spectrum of approaches including extensive partnership working and ongoing reviews of spend.
- 6.2 Although Lincolnshire is working hard and innovatively to drive out savings, the ability to make further savings of the scale already delivered, cannot be pursued on a purely incremental basis. If the funding increase resulting from the Funding Formula Review shown in Table C is not delivered by the government then setting a budget from 2017/18 onwards will require a significant change in the way that services are delivered. For example it may result in:

- Loss of some or all PCSOs
- Loss of Police Officers
- Loss of Police Staff
- Significant change in Strategic Partnership Service Levels
- Reduction in Capital Programme, replacement vehicles etc.

6.3 To make a further reduction of police officers (or combination of officers and PCSOs) would mean significant service degradation.

6.4 In addition to the funding shortfalls highlighted in Table B there are significant further risks to this budget position illustrated in the table below:

TABLE D Future Budget Risks

BUDGET RISK	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M
Failure of Police Innovation Fund grant bids	0.898	0.930	-	-
Police Officer Overtime	0.250	0.250	0.250	0.250
Central ICT charges	unknown	unknown	unknown	unknown
Airwave Replacement Dual Running Costs	0	0.250	0.250	0.250
Loss of LCC Grant Funding	0.370	0.370	0.370	0.370
Additional Regional Costs CJS and Operations Support	unknown	unknown	unknown	unknown
Further Grant Reductions	-	1% reduction = 0.590	1% reduction = 0.590	1% reduction = 0.590
Tightening of Referendum Limit		1% reduction = 0.420	1% reduction = 0.420	1% reduction = 0.420
Increased demands on Contingency Budget	unknown	unknown	unknown	unknown
Increased National Contributions required by the Home Office	unknown	unknown	unknown	unknown

7. Reserves Strategy

7.1 The PCC holds a General Reserve of £5.6 million; the following risk based assessment has been undertaken.

TABLE E Reserves & Risk

Risk	£m
Budget Overspend – required provision for pay awards or price increases being higher than assumed, income from fees and charges being less than assumed, planned savings not being delivered fully, or poor budget management. Potential call on reserve is based on a 2% overspending.	2.25
Major Disaster: Central government may provide grant support for eligible expenditure. PCCs are expected to meet part of the costs from their own reserves. The potential call is based on emergency costs of £5m which are eligible for grant support.	1.70
Treasury Management - The potential maximum loss due to the default of a single counterparty is £4m. The PCC has a very low risk approach to selecting counterparties.	4.00
Total	7.95

7.2 The range of required Reserves is assessed as £3.25 million - £7.95 million against existing Reserves of £5.6 million. The proposed range of acceptability is wide with £4.7 million being the difference between the minimum and maximum acceptable levels. The PCC's current policy is that he should plan to hold the Reserves to a level commensurate with the mid-point of the acceptable range. In monetary terms, this would be equivalent to the £5.6 million already held.

8. Capital Programme

8.1 The forecasts for capital financing charges included within the budget calculations for 2015/16 and the MTFP are based on the capital programme shown below:

TABLE F Capital Programme

	2016/17	2017/18	2018/19	2019/20
Assumed capital programme	£m	£m	£m	£m
Building schemes	1.5	1.5	1.5	1.5
Blue Light collaboration (Police Innovation Fund Bid)	4.2	9.7	-	-
ICT projects	0.5	0.5	1.0	0.3
ICT refresh	-	1.8	-	-
Vehicles	1.0	1.0	0.8	0.7
Equipment Replacement			0.2	0.2
Total	7.2	14.5	3.5	2.7

- 8.2 The 2018/19 programme includes a £1m provision for a new Command and Control system.
- 8.3 The 2018/19 and 2019/20 projections are based on the assessment that a programme of £3m to £4m per annum is sustainable in the longer term. The 2017/18 programme also includes provision to refresh hardware and software as specified in the Strategic Partnership contract.

9. Precept Analysis

- 9.1 Provisional details of the council tax base have been received from Lincolnshire district councils. These indicate a 2.3% increase in the tax base in 2016/17. There is also a surplus/deficit on council tax collection funds: the Police and Crime Commissioner's share of this surplus/deficit is estimated to be £0.5 million (surplus).
- 9.2 The government has not announced a Council Tax Freeze Scheme in 2016/17.
- 9.3 In his written statement the Minister confirmed the announcement by the Chancellor in November that overall Home Office spending on police would be protected in real terms as long as precept income is maximised. Although overall spending is protected, for Police and Crime Commissioners (PCCs), the settlement indicates a flat rate 0.6% reduction in cash terms for all police areas (in Lincolnshire £337k). The settlement includes the effect of an assumed precept increase of 2% across all areas resulting in a £196 million (1.7%) increase in the resources available overall to PCCs.
- 9.4 The inclusion of precept means that forces across the country will experience different levels of increase in their total resource funding², in Lincolnshire the increase indicated by the government is 0.7%.
- 9.5 The government has set the threshold for council tax increases above which a local referendum would be triggered at 2%.
- 9.6 Future years beyond 2016/17 are specifically excluded from the announcement, the medium term financial strategy is based upon annual council tax increases of 2% per annum. There would be an increasing reduction to the income currently shown within the plan each year of a further £1m if this is not the case.
- 9.7 The government's proposals on Police Grant and the need to maintain in cash terms resources to policing, leads to my proposal to increase the police precept by 1.96% in 2016/17 at the maximum permitted threshold for council tax increases, without triggering a costly referendum.

² This includes all formula grant, legacy council tax grants and police precept.

Police and Crime Panels – Scrutiny of Precepts

This guidance note explains the process for the police and crime panel's (PCP) scrutiny of the police and crime commissioner's (PCC) proposed precept and should be read alongside:

- Schedule 5 of the Police Reform and Social Responsibility Act 2011 ("the Act")
- Part 2 of the Police and Crime Panels (Precepts and Chief Constable Appointments) Regulations 2012 ("the Regulations")

A separate guidance note setting out the scrutiny of chief constable appointments has been published alongside this guidance note.

Background

Schedule 5 of the Act sets out the process for issuing a precept, including the panel's role in reviewing the proposed precept, their power to veto the precept and the steps to be taken if they do veto the proposed precept.

The Regulations provide greater detail to the Act, including time limits applicable to the stages of the process and the process for reviewing and issuing a revised precept.

Schedule 5 requires:

- the PCC to notify the panel of his/her proposed precept;
- the panel to review the proposed precept;
- the panel to make a report to the PCC on the proposed precept (this may include recommendations);
- the panel's report (if they veto the proposed precept) to include a statement that they have vetoed it;
- a decision of veto to be agreed by two-thirds of the panel members;
- the PCC to have regard to the report made by the panel (including any recommendations in the report);
- the PCC to give the panel a response to their report (and any such recommendations);
- the PCC to publish the response.

It is for the panel to determine how a response to a report or recommendations is to be published.

If there is no veto and the PCC has published his/her response to the panel's report, the PCC may then issue the proposed precept - or a different precept (but only if in accordance with a recommendation in the panel's report to do so).

The Regulations require:

- the PCC to notify the panel of his/her proposed precept **by 1 February**;
- the panel to review and make a report to the PCC on the proposed precept (whether it vetoes the precept or not) **by 8 February**;
- where the panel vetoes the precept, the PCC to have regard to and respond to the Panel's report, and publish his/her response, including the revised precept, **by 15 February**;

- the panel, on receipt of a response from the PCC notifying them of his/her revised precept, to review the revised precept and make a second report to the PCC by 22 February;
- the PCC to have regard to and respond to the Panel's second report and publish his/her response, by 1 March.

Panel's report on the proposed precept

If the panel fails to report to the PCC by 8 February the scrutiny process comes to an end, even if the panel have voted to veto the proposed precept, and the PCC may issue the proposed precept.

PCC's response to a veto

Where the panel vetoes the proposed precept, the PCC must have regard to the report made by the panel, give the panel a response to the report and publish the response, by 15 February. In his/her response, the PCC must notify the panel of the revised precept that he intends to issue.

Where the panel's report indicates that they vetoed the precept because it was:

- too high, the revised precept must be lower than the previously proposed precept.
- too low, the revised precept must be higher than the previously proposed precept.

The PCP may only veto the first proposed precept. Such a veto must be agreed by two-thirds of PCP members (the full membership rather than those present at a meeting). Where a veto occurs, the report to the PCC must include a statement to that effect.

Panel's review of the revised precept

On receipt of a response from the PCC notifying them of the revised precept proposal, the panel must review the revised precept proposal and make a second report to the PCC on the revised precept by 22 February. This report may:

- indicate whether the panel accepts or rejects the revised precept (although rejection does not prevent the PCC from issuing the revised precept); and
- make recommendations, including recommendations on the precept that should be issued.

If the panel fails to make a second report to the PCC by 22 February, the PCC may issue the revised precept.

Issuing the precept

Excluding where the panel fails to report on the proposed precept by 8 February or make a second report on the revised precept by 22 February, the scrutiny process ends when the PCC gives the panel his/her response to their second report.

The PCC may then:

- issue the revised precept; or
- issue a different precept, although:

- they must not issue a precept that is higher than the revised precept if the revised precept was lowered following the panel's initial report on the first proposed precept indicating it was vetoed because it was too high;
- they must not issue a precept which is lower than the revised precept if the revised precept was raised following the panel's initial report on the first proposed precept indicating it was vetoed because it was too low.

Process for PCP scrutiny of PCC's proposed precept

